

Let me start by quoting Lloyd George: “as political units, Wales and Great Britain are, in the world in which we live, essentially indivisible”.

That was a trick, as Richard probably knows. That was not David Lloyd George, but his son, Gwilym Lloyd George speaking as Home Secretary in 1955, and opposing SO Davies’s devolutionary Government of Wales Bill. That Bill, incidentally, received the support of only six Welsh MPs – including the MP for Hay, Tudor Watkins.

How far we have come since 1955. Let me remind you.

- A Minister of State for Wales was appointed in 1957
- The Welsh Office established in 1964
- The Kilbrandon Commission sat from 1968 to 1973
- During the minority Labour Government of 1974 to 1979, first the Scotland and Wales Bill and then the separate Wales Bill
- The decisive rejection of devolution in Wales in 1979
- The equally decisive period of Conservative Government when demand for devolution grew in Scotland, and by second wind, Wales
- The referendum won by a whisker in 1997
- The flawed Government of Wales Act 1998, establishing the Assembly
- The Richard Commission in 2004
- A new Government of Wales Act in 2006, with the expectation that a half-way house devolution would continue for an undefined but substantial period
- The push forward by the Labour/Plaid coalition in Cardiff
- Emyr Jones Parry’s All Wales Convention of 2009
- The 2011 referendum and full legislative powers for the Assembly

I have run through this history which will be very familiar to many of you simply to illustrate how our constitutional path has lurched along, and has hardly followed a carefully planned piece of strategic thinking for what the relationship between Wales and the rest of the United Kingdom ought to be.

Now there is the Commission on Devolution to Wales that I chair, and one is tempted to say with Macbeth “What, will this line stretch out until the crack of doom?”

What on earth are we for, and why were we set up?

Well, we were set up by the UK Government as a result of a commitment contained in the 2010 Coalition Agreement – a commitment that probably originated with one side of the coalition more than the other, but which has been a commitment that both coalition parties have adhered to.

We had a predecessor in Scotland – the Calman Commission, and we were to be a “Calman-like process for Wales”. But there were several big differences from Calman. Principal among these was that the SNP boycotted Calman, while all four parties represented in the Assembly have supported our Commission and nominated members to it.

We currently have eight Commissioners, from different backgrounds and from different parts of Wales, four nominated by parties, four independent of parties.

Our work was divided into two Parts. The first part was financial. Our terms of reference here were:

*To review the case for the devolution of fiscal powers to the National Assembly for Wales and to recommend a package of powers that would improve the financial accountability of the Assembly, which are consistent with the United Kingdom's fiscal objectives and are likely to have a wide degree of support*

We published our report on Part I in November last year. I am not going to explain today our views on airport passenger duty or landfill tax, you may be pleased to hear. But I think it is worth mentioning a couple of general principles and conclusions that we drew.

The main thing that struck us in Part I was that Wales appears to be unique in the world in having legislative and spending powers but no tax and borrowing powers. We felt that this was anomalous and that Wales should have some tax and borrowing powers. Hay Town Council, after all, has these powers.

While we believed that a suite of smaller taxes should properly be within the Assembly's control, we also believed that it was important that a significant tax should also be within that control. For various reasons, we ruled out corporation tax, value added tax, fuel duties and national insurance, but we concluded that the income tax base should be shared between the governments in Cardiff and London, with the Welsh Government free to alter each rate of tax independently, enjoying – or suffering – the consequences of any variation they made.

We called our Report “Empowerment and Responsibility: Financial Powers to strengthen Wales”. While we entirely accepted that the Assembly is at present accountable to the people of Wales, we felt that having to make fiscal choices would bring a deeper accountability to Welsh political life and would enrich the political process. It would also empower a Welsh Government to use its financial powers to strengthen Wales, as Welsh Governments have used their other powers in ways that they believe serve the interests of the people of Wales.

But we were also clear that this should be subject to not undermining either the UK Government's macro-economic responsibilities, or the fiscal transfers that underpin the successful UK fiscal and monetary union. And we set two conditions for the transfer of income tax powers: a mutually satisfactory resolution of funding issues between the two governments, and the endorsement by the people of Wales in a referendum.

We still wait for the UK Government's response to our Part 1 recommendations. But it was important to us and significant politically that all four parties in the Assembly endorsed our recommendations.

We approached Part I by a desire to be consensual; to be evidence based and listen to views across all of Wales and beyond; to base our recommendations on principles, and to take full account of the international evidence. That approach served us well in Part 1, and we will be continuing it in Part 2.

The remit for Part 2 of our work is

*To review the powers of the National Assembly for Wales in the light of experience and to recommend modifications to the present constitutional arrangements that would enable the United Kingdom Parliament and the National Assembly for Wales to better serve the people of Wales.*

We have expressed our vision for Part 2 in the following terms:

*We believe that the people of Wales will be best served by:*

- *a clear, well-founded devolution settlement that allows coherent political decisions to be made in a democratic and accountable manner, and*
- *political institutions that operate effectively and work together in the interests of the people they serve.*

*Devolution of power to Wales should benefit Wales and the whole of the United Kingdom*

I think we are all interested in our Part 2 work in trying to establish an intellectually coherent rationale for what our terms of reference call the “constitutional arrangements” of Wales.

Why are powers reserved in Scotland, reserved and excepted in Northern Ireland and conferred in Wales? Is there a principle behind this, or is it an accident? If there is a principle, does it withstand scrutiny? If it is an accident, is it a happy accident? Is it defended because of constitutional inertia? Is it attacked in Wales because of a perception that we are treated as second-class members of the union? How would any change be effected? Would it be worth the candle?

Why is, for example, policing not devolved in Wales when it is in Scotland and Northern Ireland? Why on the other hand is health almost entirely devolved? Again, is this pragmatism or principle? Historical accident or strategic design? And any of you who reads the evidence we have received from both Governments and many other witnesses will realise that the issue of where that devolution line is drawn is contested all across the frontier.

I hope that our Part 2 report will address some of these questions of principle, and that it will not shy away from recommending both where the dividing line between Cardiff’s powers and those of London should be, and why we believe that it should be placed where we recommend.

And in that process, we want to hear what people think – and I hope I will hear some interesting and provocative thoughts this evening.